COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5152-02
Bill No.: HB 1239
Subject: Medicaid; Social Services Department
Type: Original
Date: March 24, 2014

Bill Summary: This proposal changes the income eligibility requirements for medical assistance under the MO HealthNet program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Less than $49,086,834	Less than $150,201,380	Less than $155,226,029
Total Estimated Net Effect on General Revenue Fund	**Less than $49,086,834**	**Less than $150,201,380**	**Less than $155,226,029**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Various Other State Funds	$12,964,207	$52,403,800	$56,598,759
Total Estimated Net Effect on Other State Funds	**$12,964,207**	**$52,403,800**	**$56,598,759**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal*	$0	$0	$0
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

*** Income, savings, expenditures and losses exceed $2.5 billion annually and net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	9.5	9.5	9.5
Federal	9.5	9.5	9.5
Total Estimated Net Effect on FTE	**19**	**19**	**19**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§208.991 - Definitions and MO HealthNet Expansion

Officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** provide:

MEDICAID EXPANSION – BUDGET KEY ASSUMPTIONS:

A. Number of Newly Eligible Medicaid Participants

- Currently, Missouri covers custodial parents up to 19% of the federal poverty level (FPL), which for a family of four is $4,475 per year. In addition, non-custodial adults are not eligible for Medicaid in Missouri regardless of income.

- The Affordable Care Act allows states to expand health care coverage under the Medicaid program to non-elderly, non-Medicare low-income adults up to 133% of the FPL. The same law includes a 5% disregard of income when determining eligibility for health care benefits; thus, adults with incomes up to 138% FPL will qualify. For a family of four in Missouri, this is income up to $32,500 per year.

- Population data for the number of uninsured in Missouri within these income limits was obtained from the U.S. Census Bureau 2011 American Community Survey Table "Health Insurance Coverage Status and Type by Ratio of Income to Poverty Level"

- Medically frail populations are defined through one of three categories:
    - Medically Frail - ADA (Alcohol and Drug Abuse – estimated to be 14.8% of the population using MO SAMHSA (Substance Abuse and Mental Health Services Administration) prevalence data for MO)

    - Medically Frail - CPS (Comprehensive Psychiatric Services – estimated to be 5.1% of the population using MO SAMHSA prevalence data for MO)

    - Medically Frail (those with the most serious, long-term, complex health conditions – 2.14% of the total adult population per the Agency for Healthcare Research and Quality 2010 Medical Expenditure Panel Survey data).

ASSUMPTION (continued)

B. Cost - For Newly Eligible Participants

- State share of expansion by calendar year.
  - 0% state share 2014-2016, 5% in 2017, 6% in 2018, 7% in 2019, and 10% in 2020, remaining at 10% thereafter.

- Take up rates (the percentage of people that would obtain/sign up/enroll) by category were determined by the state based on an analysis of Missouri's population, take up rates experienced with prior expansions, and take up rates experienced by other states following an expansion. Take up rates by category are:
  - Healthy Adults - 75% in 2015 increasing to 80% for 2019 - 2022
  - Medically Frail - 95% all years
  - Medically Frail ADA - 90% in 2015 decreasing to 88% for 2019 - 2022*
  - Medically Frail CPS - 95% in 2015 decreasing to 87% for 2019 - 2022*

*The take up rate for the ADA and CPS populations are higher in the earlier years because the state will transfer current participants from state-only programs to expansion. As new individuals come into the program in future years, the overall take up rate will drop.

- Estimates do not include any assumptions regarding "woodwork effect" for existing populations (those that as of today are uninsured but will be insured in the future because of the expansion). Missouri's Medicaid caseloads are actually decreasing (July 2013 caseload - 866,383 vs. December 2013 caseload – 847,385)

- "Crowd out" estimates assume 10% of insured Missourians between the ages of 18 and 64 with incomes up to 138% FPL will drop private insurance, their employer will drop insurance, or they will seek Medicaid benefits as a second payer.

- Per Member/Per Month (PMPM) rates were developed by Mercer (DSS' actuary). Mercer provided rates for three different care management arrangements. The rates used are an average of those rates discounted to the low-end of the rate range. The PMPM for the first year is $557 for healthy adults, $707 for medically frail - ADA, $996 for medically frail - CPS, and $2,468 for all other medically frail. Medically frail rates for DMH populations included the health care rate assumed for healthy adults developed by Mercer and a rate developed by the state for the wrap-around services.

- Other PMPM assumptions include:
  - Commercial reimbursement payment levels with trend adjustments.
  - Medically Frail population will also be eligible for a wrap-around benefit, including in-home services and mental health services.

ASSUMPTION (continued)

C. Savings-State Share Change in Existing Programs

- Transitioning currently covered populations that the state receives from 0% to 63% federal funds for services to 90% to 100% of federal funds for services. DSS assumes the same annual take up rates for these groups as for expansion population. These include:

    - Pregnant Women - Women who will become eligible for Medicaid as a result of their income prior to a pregnancy rather than as a pregnant woman - 19,779 individuals. Those not covered under the expansion and enhanced federal match rate include 4,546 women pregnant with incomes up to 138% at the time of enrollment and 1,239 with incomes above 138% FPL. Pregnant women up to 185% FPL will still be eligible for coverage under the existing program, if they present for Medicaid coverage when already pregnant.

    - Breast & Cervical Cancer – Women who will become eligible for Medicaid as a result of their income prior to a diagnosis of breast or cervical cancer rather than becoming eligible due to such diagnosis – 1,244 individuals. Those not covered under the expansion and enhanced federal match rate include 94 women with breast or cervical cancer at the time of enrollment and 18 with incomes above 138% FPL. Women with breast and cervical cancer up to 200% FPL will still be eligible for coverage under the existing program, if they present for Medicaid coverage with a diagnosis of breast or cervical cancer.

    - Ticket-to-Work – Participants in the Ticket-to-Work Health Assurance program with incomes below 138% would be eligible for Medicaid due their income rather than their participation in this program – 201 individuals. Those not covered under the expansion include 315 participants who are Medicare eligible and therefore not eligible for Medicaid under the expansion and 821 individuals with incomes above 138% FPL. The Ticket-to-Work program will remain available for individuals seeking coverage who are not eligible under Medicaid expansion.

    - Spenddown – 2,843 individuals with incomes from 85% - 138% FPL who currently become eligible through the spenddown program would be eligible for Medicaid under the expansion. Those not covered under the expansion and the enhanced federal match rate include an estimated 10,859 individuals with incomes from 85% - 138% FPL who are Medicare eligible, and an estimated 5,818 with incomes above 138% FPL. Individuals above 138% FPL will still have the opportunity to "spenddown" to become eligible for Medicaid coverage.

ASSUMPTION (continued)

- PTD – DSS reviewed PTD (Permanent and Total Disability) enrollees active from 2005 to 2013 to determine that 47% of PTD enrollees never became Medicare eligible and 25% of those participants enroll in Medicaid through expansion. Savings numbers assume that 627 eligibles per month (maxed out at 18,169) that typically enroll under PTD will now enroll as medically frail under expansion. PTD requirements for eligibility are not changing. Assumes 140,444 PTD people still remain in regular Medicaid.

- Women's Health Services – 64,518 women receiving limited services through the Women's Health Services program would be eligible for full Medicaid coverage under the expansion. Those not covered under expansion are an estimated 3,652 women with incomes from 138% - 400% FPL of which an estimated 3,579 would be eligible for premium subsidies for plans offered on the federal exchange. This program will cease to exist because it is a limited benefit, and not considered "credible coverage" under the federal law's mandate for all individuals to have health insurance.

- Blind Pension Medical Benefits – 67 blind pension recipients currently receiving coverage through this 100% state funded program would become eligible for Medicaid under the expansion. Those not covered under the expansion include 923 individuals with incomes 0% - 138% FPL who are Medicare eligible and 1,776 individuals with incomes above 138%. This proposal assumes that the blind pension medical program will continue to provide coverage for those individuals not covered by the expansion.

- Department of Corrections (DOC) – The DOC estimates inmates incur an average of 150 inpatient bed days outside of a Corrections facility per month. These inpatient bed days would be eligible for Medicaid coverage under the expansion.

- Increased spending in the pharmacy program due to expansion will result in increased Pharmacy Reimbursement Allowance Fund revenue beyond the amount used to fund the expansion population which can be used to fund the pharmacy program in lieu of general revenue.

D. Medicaid Reform Savings-Expansion Population

- Savings in the Department of Corrections through increased Medicaid coverage for certain offenders in probation or parole status that will help reduce recidivism as a result of more effective ADA and CPS treatment. An estimated 6,166 individuals who would not have received treatment without expansion will receive treatment. After treatment, an estimated 422 fewer individuals will return to prison. Successful completion of treatment drops recidivism rates from 23.3% to 6.02%.

ASSUMPTION (continued)

- Newly eligible participants would be subject to the maximum amount of cost sharing allowed by federal law in the form of co-pays which vary by type of service and income. The cap on the amount an individual can be required to pay is 5% of family income.

The DSS - DFAS estimates the proposal will result in the following fiscal impact:

	FY15 (6 months)	FY16	FY17
General Revenue Fund (savings)	$49,086,834	$150,201,381	$155,226,030
Various Other State Funds (savings)	$12,964,208	$52,403,800	$56,598,758

The impact to federal funds is estimated to exceed $2.4 billion annually.

Oversight notes the DSS indicates a fiscal impact to federal funds exceeding $2.4 billion annually. Federal income and expenditures net to $0 as reimbursements are received from the federal government to offset expenditures incurred by the state.

Officials from the **Department of Health and Senior Services (DHSS)** provide:

Services for New Participants

The DHSS defers to the Department of Social Services to calculate the fiscal impact associated with determining eligibility under the new requirements, the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility. The appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS/Division of Senior and Disability Services (DSDS) budget. DHSS estimates the average annual cost per participant at $12,923 for FY15.

Assessment and Reassessment Costs

Each new participant in Home and Community Based (HCB) Services would receive a prescreen, an initial assessment, and an annual reassessment in subsequent years. Each prescreen takes an average of one hour to complete. Each assessment takes an average of two hours to complete. DHSS may require additional staff to complete assessments and reassessments on any newly eligible individuals. DHSS estimates that 1.00 FTE is required to complete 2,080 prescreens, and 1.00 FTE is required to complete 1,040 assessments/reassessments per year.

The fiscal impact of this proposal is unknown.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA) - Division of Budget and Planning (BAP)** state the legislation will result in increased revenues to the state. The legislation will increase federal dollars spent on health care in Missouri by $1.2 billion in fiscal year (FY) 15. This infusion of federal dollars will allow health care employers to increase their payrolls.

BAP assumes health care providers will continue to spend the same percentage of revenues on payrolls and is assuming an effective 4.5% rate of withholding for those employees' salaries. Because this legislation does not begin until January 1, 2015, BAP assumes that only ½ of income tax revenues will be realized in FY15. BAP is assuming a full year of revenue growth in the subsequent fiscal years.

BAP assumes that 19.20% of new employee salaries will be spent on taxable purchases at a three percent general revenue sales tax rate.

BAP assumes that 6.9% of increased health care provider revenues that are not spent on salaries will be spent on taxable purchases at a three percent general revenue sales tax rate.

Increased Revenue from Medicaid Expansion			
	FY15	**FY16**	**FY17**
Income Taxes	$9,363,782	$38,978,783	$39,640,482
Sales Taxes	$1,797,846	$4,989,284	$5,073,982
Misc Taxes	$856,476	$2,376,844	$2,417,193
Total	$12,018,104	$46,344,911	$47,131,658

The growth in taxes is due solely to the growth in federally funded health benefits services, no multipliers have been used.

Additional sales tax revenue will also be generated for education (1%), Conservation (.125%) and DNR (.1%).

ASSUMPTION (continued)

Additional Sales Tax Impacts			
	FY15	FY16	FY17
Prop C-Function of Income Tax	$735,319	$2,040,617	$2,075,259
Prop C-Non salary portion health care providers	$350,299	$972,129	$988,632
Prop C Total	$1,085,618	$3,012,747	$3,063,891

Additional Sales Tax Impacts			
	FY15	FY16	FY17
Conservation-Function of Income Tax	$93,488	$259,443	$263,847
Conservation-Non salary portion health care providers	$44,537	$123,596	$125,694
DNR-Function of Income Tax	$75,510	$209,550	$213,107
DNR-Non salary portion health care providers	$35,972	$99,827	$101,522
Total	$249,506	$692,416	$704,170

Oversight assumes the tax revenue projections provided by BAP are an indirect result of expanding MO HealthNet services and, therefore, will not present these revenues in the fiscal impact segment of the fiscal note.

Officials from the **Department of Mental Health (DMH)** state DMH currently serves consumers in the Division of Behavioral Health (DBH) programs that are not currently eligible for MO HealthNet that would qualify in the new eligibility category. These consumers would meet the definition of medically frail. Covering the cost of services for these consumers under MO HealthNet would allow DMH to redirect state funds currently used to meet matching requirements for those newly eligible for Medicaid-funded behavioral health services. To cover these additional individuals the state would receive a 100% federal match for years 2014-16, gradually reducing to 90% for years 2020 and beyond, assuming a 5% disregard of income is allowed. DMH costs and/or cost savings for these changes will be included in the Department of Social Services (DSS) costs and/or cost savings to the MO HealthNet program.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a

ASSUMPTION (continued)

certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

FISCAL IMPACT - State Government	FY 2015 (6 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
§208.991			
Income - DSS			
Increase in pharmacy provider tax	$4,180,925	$16,845,185	$17,069,712
Savings - DSS			
Reduction in various DSS program expenditures resulting from Medicaid expansion	$26,361,820	$105,204,449	$142,998,541
Reduction in cost sharing for expansion populations	$0	$0	$645,202
Total Savings - DSS	$26,361,820	$105,204,449	$143,643,743
Savings - DSS			
Reduction in DMH program costs if coverage expanded to adults	$17,054,705	$22,739,606	$22,739,606
Reduction in Department of Corrections program costs if coverage expanded to adults	$2,339,334	$3,119,112	$3,119,112
Reduction in recidivism costs for the Department of Corrections	$0	$2,774,650	$4,469,415
Total Savings - Other Departments - DSS	$19,394,039	$28,633,368	$30,328,133
Total All Income and Savings	$49,936,784	$150,683,002	$191,041,588

FISCAL IMPACT - State Government	FY 2015 (6 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND (cont.)			
§208.991			
Costs - DSS			
Expansion to 138% FPL - Healthy Adults and Medically Frail (including ADA and CPS populations)	$0	$0	($35,336,652)
Development, implementation, oversight, program integrity, and reporting including additional estimated 9.5 FTE and associated costs	($264,950)	($481,622)	($478,907)
ITSD programming expenditures	($585,000)	$0	$0
Total Costs - DSS	($849,950)	($481,622)	($35,815,559)
Costs - DHSS			
Increase in the number HCBS assessments, personal service and related expense and equipment costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**Less than $49,086,834**	**Less than $150,201,380**	**Less than $155,226,029**
Estimated Net FTE Change on the General Revenue Fund	9.5 FTE	9.5 FTE	9.5 FTE
VARIOUS OTHER STATE FUNDS			
§208.991			
Savings - DSS			
Reduction in various DSS program expenditures resulting from Medicaid expansion	$17,145,132	$69,248,985	$94,502,214
Reduction in cost sharing for expansion populations	$0	$0	$430,134
Total Savings - DSS	$17,145,132	$69,248,985	$94,932,348

FISCAL IMPACT - State Government	FY 2015 (6 Mo.)	FY 2016	FY 2017
VARIOUS OTHER STATE FUNDS (cont.)			
§208.991			
Costs - DSS			
Expansion to 138% FPL - Healthy Adults and Medically Frail (including ADA and CPS populations)	$0	$0	($21,263,877)
Loss - DSS			
Reduction in pharmacy provider tax	($4,180,925)	($16,845,185)	($17,069,712)
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	**$12,964,207**	**$52,403,800**	**$56,598,759**
FEDERAL FUNDS			
§208.991			
Income - DHSS			
Increase in program reimbursements	Unknown	Unknown	Unknown
Income - DSS			
Increase in program reimbursements for expansion to 138% FPL - Healthy Adults and Medically Frail (including ADA and CPS)	$1,120,464,019	$2,241,962,271	$2,196,908,304
Increase in other program reimbursements from expansion	$56,749,626	$217,265,133	$302,453,131
Reimbursement for development, implementation, oversight, program integrity, and reporting including additional estimated 9.5 FTE and associated costs	$264,950	$481,622	$478,907
Reimbursement for ITSD programming expenditures	$5,265,000	$0	$0
Total Income - DSS	$1,182,743,595	$2,459,709,026	$2,499,840,342
Savings - DSS			
Reduction in program expenditures for cost sharing for expanded populations	$21,138,764	$42,337,915	$41,630,537
Total All Income and Savings - DSS	Greater than $1,203,882,359	Greater than $2,502,046,941	Greater than $2,541,470,879

FISCAL IMPACT - State Government	FY 2015 (6 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS (cont.)			
§208.991			
Costs - DHSS			
Increase in the number HCBS assessments, personal service and related expense and equipment costs	(Unknown)	(Unknown)	(Unknown)
Costs - DSS			
Increase in program expenditures for expansion to 138% FPL - Healthy Adults and Medically Frail (including ADA and CPS)	($1,120,464,019)	($2,241,962,271)	($2,196,908,304)
Increase in other program expenditures from expansion	($56,749,626)	($217,265,133)	($302,453,131)
Reimbursement for development, implementation, oversight, program integrity, and reporting including additional estimated 9.5 FTE and associated costs	($264,950)	($481,622)	($478,907)
Reimbursement for ITSD programming expenditures	($5,265,000)	$0	$0
Total All Costs - DSS			
Loss - DSS			
Reduction in program reimbursements for cost sharing for expanded populations	($21,138,764)	($42,337,915)	($41,630,537)
Total All Costs and Losses	(Greater than $1,203,882,359)	(Greater than $2,502,046,941)	(Greater than $2,541,470,879)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**$0**	**$0**	**$0**
Estimated Net FTE Change on the General Revenue Fund	9.5 FTE	9.5 FTE	9.5 FTE

HWC:LR:OD

FISCAL IMPACT - Local Government	FY 2015 (6 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have a positive fiscal impact on small business health care providers.

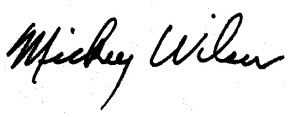
FISCAL DESCRIPTION

This proposal changes the law regarding the MO HealthNet Program. In its main provisions, the proposal: (1) Extends, beginning January 1, 2015, the eligibility for the alternative package of MO HealthNet benefits to individuals who are between the ages of 19 and 65, are not pregnant, are not entitled to or enrolled in Medicare Part A or Part B benefits, are not eligible for or enrolled in mandatory coverage under MO HealthNet, and have a household income that is at or below 133% of the federal poverty level; (3) Limits an individual qualified for the alternative package of MO HealthNet benefits to a package of alternative minimum benefits unless he or she is classified as medically frail. The medically frail must receive all of the coverage they are eligible to receive; and (4) Requires the Department of Social Services to work with the Department of Mental Health and the Department of Health and Senior Services to create a screening process for determining whether an individual is medically frail.

This legislation is not federally mandated, would not duplicate any other program but may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Joint Commission on Administrative Rules
Office of Administration -
Division of Budget and Planning
Office of Secretary of State



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HWC:LR:OD